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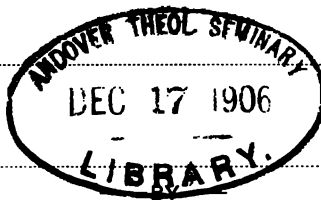
JEREMIAH W. JENKS

# THE ADIN BALLOU LECTURES.

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# GREAT FORTUNES

THE WINNING: THE USING

BY

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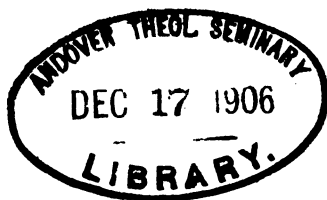


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**To**  
***My Brothers***

***To whom I Owe in Good Part my Views on what is  
Right in Business***



## PREFACE

*The substance of this book was given in lectures on the Adin Ballou foundation at Meadville, Pennsylvania, and the main thoughts have since been condensed into a single lecture at different times and places. Some of the auditors have kindly suggested that the thoughts herein expressed are worthy of a more permanent form. The subject at any rate is one that must be considered by everyone actively interested in the welfare of his country ; and if these talks can stimulate even to a slight degree careful analysis of the motives and methods of fortune-getting or thoughtful consideration of the methods and motives of fortune-using, they will not have been written in vain.*



# **GREAT FORTUNES**



## THE WINNING

**I**T has been said that there are ten men living in the United States who, if they were willing to act together, could, within a short time, control the fortunes of all the great railroads of the country, of the steamship traffic on the Great Lakes, of more than one of the great trans-Atlantic and trans-Pacific steamship lines, and of the telephone and telegraph systems. They could likewise direct the policy of by far the largest part of the mining of anthracite coal, of the oil industry, sugar refining, the manufacture of steel, the mining of copper, the manufacture of linseed oil, even of chewing-gum, and of almost any other one or more industries which they might decide that they wished to control. These same men by combined action now control the most powerful banks of the country and are closely



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associated with the most powerful banks of Europe. They are ready to make loans to governments, to finance a nation as they finance a corporation. Some of these men are now interested in a large way in most, if not all, of the industries named, and wherever their interest is small at the present time, their financial power is so great that by concentrating it on one independent industry they can, beyond any question, secure control and manage it. The fact that we have great financial leaders whose power over industry is almost supreme cannot be denied. The extent of that power and the small number who may exert it is startling.

A short time ago a man who has been entirely familiar with some of the corporation investigations of the last year was speaking about the influence of these great fortunes in social and business life. His talk was extremely pessimistic. Some of the managers of the great corporations, he thought, seem to have no scruples either regarding the way in which they conduct their business or in which they put down sternly all opposition. To stifle a government investigation

or to ruin opponents, they would resort to any means however ruthless, — underselling on market or stock-exchange, employing spies, bribing bank officials, corrupting legislatures and courts: if necessary, even robbing the mails. They seem above the law; they defy the courts; they throttle justice. Is there any outlook for an improvement of present conditions? he asked. Can the State ever control these industrial monopolists, or is business, society, even the Government itself, to be run in their own interest by a few selfish men?

His feeling was doubtless too pessimistic, but this feeling is by no means confined to one man. The conviction that the owners of great fortunes have selfishly abused their power, and that even good government is seriously endangered by their existence, is wide-spread. Our popular magazines have done their share by publishing startling accounts of corruption in municipalities and in states, which, though not impartial, have at least much truth in them, while the unprejudiced, naked truth, as brought out in judicial investigations, has served only to stimulate the feeling of doubt and distrust on the part of many. On that

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account it is worth while, even though in few pages one can do little toward offering a solution of so grave a problem, to attempt to analyze some of the principles which underlie these social conditions.

### *The Motives for Accumulation*

Psychologists tell us that men's actions are all determined by feeling. Knowledge of itself does not determine action. We act only to gratify some desire. If, then, we are to understand the social causes and effects of great fortunes, the good or the evil which results from their accumulation and from the uses made of them, we must seek the impelling motives of the wealth-winners and the wealth-users. But we must beware of too positive conclusions. Men's motives are not simple.

We too often fail to realize that very few people make far-reaching plans. Most of us drift through life. We do not enter business or society with a definite end in view and a well formulated plan for the attainment of that end. Some of us go far enough in our youth to determine that we shall become lawyers, or preachers, or merchants, or

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manufacturers; but beyond that few go, and the great mass of humanity goes not even that far. If an opening comes for a boy approaching manhood to enter a grocery store, he becomes a grocer. If the friendship of a neighbor secures him a place as brakeman on a railroad, he becomes a railroad man. If the necessity for an immediate income is crowding him and he has been a fairly good student, he may become a teacher. All of us in youth hope and most of us then confidently expect, but in a hazy, indefinite way, that we shall be successful; but success to most of us is also ill-defined and means usually a fair living, a comfortable home, with a glimmering view of preferment in business or perhaps even in politics which, as the years go by, gradually fades into a satisfaction with comfort. This shiftlessness or inertia on the part of the many gives to the few their opportunity. The youth with a positive aim in life and a persistent will steadily pushes his way under ordinary circumstances through the driftwood of humanity to the accomplishment of something far beyond the average, in the direction of his desires; and the rare spirits who, to definite-

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ness of purpose and persistency of pursuit, add also unusual ability and cool-headed judgment of men and affairs, achieve their high purpose.

So with wealth-getting. We all want wealth, though many want other things more. Those who speak so freely of the troubles of the rich as a rule are the rich; and I have not seen them voluntarily making themselves poor. But most of us are not very definite in our plans for getting wealth, and many of us put other things into the foreground. We take what comes to hand in our usual course of living. We are easily pushed aside by those whose minds are set. We soon fall back with the great majority.

### *Success of Exceptional Men*

Some few men have apparently a native gift for economy not merely of money and wealth, but also of time and effort. Such men suffer at seeing waste, and gradually from this habit alone will acquire a competency. When this habit of saving becomes fixed on wealth, and is coupled with the power of administration which enables one not merely to economize his own time, but

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by the proper organization of the work of others, by planning for future events, by prompt seizure of timely opportunities, to employ to the best advantage the work of others, success in acquiring wealth is assured. And if to this talent for organization and administration there be added the consuming desire to acquire more and still more, with little regard for the means employed or for the effect upon others of one's own efforts, the prompt returns may be enormous, — unless the unscrupulous methods employed are pushed so far as to outrage the public conscience, and bring the vaulting ambition to sudden catastrophe. With most people, however, (we should keep it in mind), there is only the hazy intention of getting on; with some there is a rather definite desire of securing great wealth, coupled generally with some dreamy thought of the benefit to come from the wealth.

Even those with definite purpose do not long for wealth with only the thought of possession. They often wish rather the gratification of vanity, or social distinction in some form, or power in business, or eminence in politics, or possibly even

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the exercise of an influence for good in society, from the wise employment of the wealth once attained. The picture in the imagination is not that of the miser gloating in rags over his hoards of gold. It is rather that of the leader, prosperous, and honored for the use made of his power.

We are told that Cecil Rhodes, when still a stripling, had conceived the purpose of making Britain a greater Britain, and of welding together all the English speaking peoples into a mighty confederacy of friendship, if not of politics, which should dominate the business and the politics of the world. And it is said that, realizing the advantages, perhaps even the necessity of great wealth for the accomplishment of this purpose, since he thought that he could accomplish little toward the furtherance of his grand idea unless by his wealth he could control the actions of legislators and citizens, he thought it wise first to employ his great talents in the acquirement of wealth, though for wealth itself, except as a means to an end, he had little desire. No one questions the success of Cecil Rhodes as a wealth-winner;

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few will question his political genius. It is nevertheless extremely suggestive to contrast his method of pushing forward his social and political ideal by speculative, forceful, dominating, even corrupt, methods, and the method employed by the Founder of the Christian religion in putting into the world His germinating ideas of social betterment through spiritual improvement, — a personality with no less definiteness of purpose than Cecil Rhodes, no less persistence in effort, with even greater genius and foresight and knowledge of human nature. He was willing to let His ideas germinate and permeate like leaven throughout the civilized world. The study of His methods and their success from the practical point of view are conclusive as to the greatness of His wisdom in social reform.

But we may well analyze the ordinary motives somewhat farther. Not many years ago there was an interesting interview with one of the leading promoters and most active and successful business men of New York, a man who enjoyed the good things of life, but who was subordinating ordinary pleasures, even the comforts and amenities of



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home and social life, to the desire for doing things. He told first about his various engagements, — how from the time he wakened in the morning until late at night every minute was definitely planned for, his entire time filled with engagements. He had a telephone in his bedroom that he might call business acquaintances at unusual hours. Even when he took a little relaxation on his steam-yacht on Sundays, he generally had some man on board, he said, with whom he was settling some business arrangement. Then his visitor ventured to ask him why he allowed himself to be so enslaved to business. He was wealthy; he had more than enough to gratify every normal desire, and moreover was a man of sufficient culture to appreciate and enjoy the higher pleasures of life. Why should he work like a galley-slave? He considered the question thoughtfully for a moment and then said: "I think it is partly the habit of working. Then the dealing with so great a variety of interests in so directly practical a way is in itself a great education which interests me on its own account; but primarily I think it is because I like to do things. I

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like the feeling of power which comes from making things move."

I suppose that a similar feeling dominates many of the makers of our great fortunes. Habit probably does most, combined with an instinct for thrift, economy, diligence; but the desire to accomplish, the zeal for winning, the lust for victory in contest, the feeling of power, have probably more to do with the accumulation of the greatest fortunes than the desire for wealth itself or the wish for distinction or the desire to accomplish great political or social ends through wealth as a means. This zeal for "playing the game" and for power would lead most easily to dishonorable acts and to the selfish hard-heartedness which is so often seen in the makers of the great fortunes.

But always, of course, in the amassing of fortunes, there is a mixture of motives, some good, some bad, as with all of us in most of our acts. This selection of a few that may be considered the dominant ones is rather to help us to see clearly than to intimate that the analysis is complete. But whatever the chief motive may be, if it is an eager, insistent one, the

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effects are likely to be both good and ill from the methods that will be used. Thrift and diligence are virtues. Underhanded dishonesty and hard-hearted selfishness are vices. All are likely to be combined in the eager contest for wealth.

### *Methods of the Acquirement of Wealth*

Of course, we must recognize the fact that the form of holding property in the shape of stocks and bonds, and the ability thus to possess great wealth, to use it and to secure the income from it without active participation in the management of a business, is a modern condition which has made possible many of the striking phenomena of the later days. Mr. George P. Watkins in an able essay, as yet unpublished, has rightly emphasized this economic and legal condition which no one can afford to overlook, — a condition without which our modern methods of wealth-building and fortune-using would be impossible. This fact is, of course, assumed and understood throughout the entire discussion.

All methods of wealth-getting in society can apparently be classified under two main heads:

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first, the rendering of service to others or to society for the sake of an adequate reward in return; and second, the acquirement of gain for one's self at the expense of others with practically no service rendered to society.

### *I. Reward for Service to Society*

The manufacturer, the trader, the shipper, the agriculturist, all render definite services to society for which they expect, and rightly, a fair reward. The manufacturer who changes raw silk into a beautiful fabric, the shipper who brings the fruits of a milder climate to the tables where they can be best enjoyed, the agriculturist who supplies the wheat, corn and vegetables for a great people, — all of them, by changing the form or the place of the materials with which they work, give them added value and satisfy needs which otherwise could not be served.

It is unfortunate that most of our business men, small as well as great, think primarily of the reward, and only remotely of the service they are rendering to society. The service as well as the reward should be kept in mind. A vivid realiza-

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tion of the fact that they are, or should be, benefactors to society, with the feeling of responsibility which should accompany the sentiment of trusteeship to a public trust, would, of itself, prevent the evils of fraudulent adulteration of foods, of short weights and measures, of secret rebates, of unjust business favoritism. That sentiment is not yet common,—and yet the fair profit of every business man is in essence only a reward or compensation for a service rendered to society; and the compensation is fully justified.

Like the manufacturer and the agriculturist, the so-called professional men, or those who render personal services, bring benefits to society; the doctor who cures our ills, the lawyer who secures for us our legal rights, the servants who minister to our personal needs, the politician who formulates into rules our plans for social organization, the organizer of business, or the administrator of public works, who possesses perhaps the rarest talent,—all earn and deserve a reward from society for the services which they render, and they ought to recognize their obligation to render the best possible service.

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### *No Limit Can Be Placed Upon the Amount Earned by Service*

Moreover, it is difficult to see how we can place any measure or limit to the extent of the service thus rendered, and in consequence, to the reward. In most cases there are enough competitors in all these lines of business to prevent the making of excessive profits, but in many individual cases no such limit can be set. An able specialist has, or often may have, a kind of personal monopoly in each case. It has been a frequent saying of many of our social malcontents that all great fortunes must be dishonestly gained, because no man could himself earn a million dollars; but any such view of the nature of social service is of course short-sighted. If I am seriously ill, and one of the modern geniuses of surgery can save my life by a bold operation, can I set any limit to the value of the service rendered to myself? "Everything that a man hath will he give for his life." If the life thus saved were the life of some great genius of literature or art or morals or statesmanship, can any limit be placed upon the value of the service rendered to society? Who would venture to esti-

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mate in dollars and cents the value of the service which Shakespeare or Raphael or Lincoln might have rendered to society if his life could have been prolonged a decade? It is, of course, not practicable for doctors to fix their fees on the scale of services thus rendered to society. They could hardly venture to estimate the relative values of the lives of their various patients. If that principle were to be followed, perhaps in some cases they should be paid rather for killing than for curing. Moreover, no one surgeon has a monopoly of skill. Another might do as well, and no one should be extortionate. But, without some definite basis, we need not be too much surprised at the principle which is often employed, of charging in proportion to ability to pay. A skilful surgeon charged an acquaintance of mine \$250 for performing an operation for appendicitis on his wife. Some months afterward for a like operation on a wealthy ward of this same acquaintance he charged \$5,000. When protest was made, he said,—“I have looked into his circumstances; I saved his life; I think he can afford it.” And physicians generally do so much of their work for charity’s sake that there is

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much excuse from the social point of view if they take high pay from those who can afford it; and yet another man might do as well at a lower price. When, however, a physician doubles his fee if the patient dies, on the ground that it is relatively easy to collect from an estate, the limit of tolerance of the principle of "charging what the traffic will bear," has, in my judgment, been passed. Society itself, if necessary, through a jury, may be the judge of what in individual cases is just and reasonable pay for the personal and social service rendered.

Not to take the time to estimate the services of a lawyer who prepares a constitutional act on which the liberties of a people may depend, or of a judge whose interpretation of the law may save millions of dollars to the public, or of a statesman whose tact and wisdom may save his country's honor while avoiding a war that would cost hundreds of thousands of lives and hundreds of millions of property, we may perhaps pause to inquire whether any limit can be fixed to the service rendered by one of the great captains of industry whose genius lies in the organization of business,



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because it is these captains of industry whose wealth is ordinarily subject to criticism, and not the judge and the statesman whose financial rewards are ordinarily, relatively speaking, absurdly small as compared with the services they render. So far as I can see, no limit can be placed upon the value of the service rendered by such an organizer of business. Of two great manufacturing establishments with equal capital, equally favorable situation, equal excellence of plant, one will fail, while the other, with no superiority except in the organizing and directing brain of the manager, without asking any higher prices for its product, without paying any less wages to its employees, will make, for its stock-holders, millions. It seems difficult to reach any other conclusion than that these millions have been earned by the manager through preventing waste of time and waste of energy, and that society is by that total amount the gainer.

The experience thus indicated in a manufacturing industry is likewise found in railroad or steamship management, or in any other of the great avenues of production or exchange. To be

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sure, in many instances, the skill of management seems to be a readiness to oppress the laborers or to squeeze the consumers either through higher prices or through poorer products, but this is not necessarily the case; and often the difference is found only in the prevention of waste and in the more efficient organization and direction of the power of capital and labor. The extent of this advantage, of course, depends very largely upon the extent of the business. The business may afford the opportunity of saving a few thousands, but it may equally well afford the opportunity of saving millions.

Concentration and control of industrial power does not come, by chance nor in the main by fraud or crime, although doubtless at times, fraud and crime have played their part as they do in practically all mundane affairs. In many cases, the power comes gradually but surely into the hands of those who have known best how to seize the opportunities that economic conditions offer; who know best so to organize industry and the men employed in industry that the largest savings, the least expenditure of industrial energy,

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will produce the largest results in the production of wealth. These are in good part the men who, whatever else they may do, know best how to "make two blades of grass grow where but one grew before." A prominent cause, then, that has brought power and wealth into the hands of the few, let us not forget, is the fact that these few have been able to render the greatest service to society in the way of cheaper production, swifter distribution, greater returns for capital invested.

### *II. Gains at the Expense of Others*

(a) PLUNDER: There are two or three main forms in which gain for one's self at the expense of others is secured with no material service rendered to society, sometimes with society injured thereby. It is probable that most of the greatest fortunes in the history of the world have been made in some such way, although many have been made by the rendering of direct service. In the ancient days, as we know, many of the greatest fortunes were secured directly by plunder. When a Roman pro-consul like Verres was sent to Sicily,

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or a Pompey to Asia, or a Caesar to Spain or Gaul, it was expected that he would come back a wealthy man. Even the relatively honest, kindly Cicero, who boasted that in his government of a province he oppressed no one and was beloved by all, made some \$100,000 in less than one year. Caesar, with a daring which characterized him through life, had borrowed recklessly to the extent of doubtless a million, if not millions of dollars, and even risked everything upon his success in securing office; but after his appointment to the control of Spain and of Gaul, his future was secured not less surely from the financial point of view than from the military and political. Of course we may well say that the pro-consul was entitled to return for his work in governing; but probably no one would pretend that the returns were in any way supposed to be measured by the services rendered, or that revenues saved to increase one's personal fortune would not, in many cases, if not in most, more properly have been turned into the public treasury.

In those days also, as well as throughout the Middle Ages, even down into modern times,

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wherever an absolute ruler has been able to control the fortunes of his people and to levy practically at will upon their property, such rulers, besides accumulating wealth for themselves, have often distributed it lavishly among their favorites. In many such cases, great fortunes have been put into single hands which have simply been seized from others less fortunate. Happily these days of direct plunder and of gifts to favorites have passed, though those of unjust taxation at times remain; and in our own day many other practices obtain which have the same results as plunder, so far as any immediate effect upon society is concerned.

(b) GAMBLING : In one or two places in the civilized world we find great fortunes that have been won directly by encouraging gambling. The Prince of Monaco could hardly claim to be rendering any special service to society in the way of an increase of wealth by his great gambling establishment at Monte Carlo. The wealth which flows into his coffers comes from the pockets of others, with a return, to be sure, of the gratification of the gambling passion, but with no increased value given

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to society. Doubtless the Prince sometimes makes use of part of this wealth more wisely than those from whom it has been taken would have done; but although he is a scientist and we may recognize fully the scientific value of his deep-sea dredging, in no proper sense of the word can there be said to be any benefit to society from the process of gambling.

While the boards of trade and the stock exchanges of the United States perform a most useful function in the distribution of goods, so far as their proper use is concerned (and let it not be overlooked that I recognize to the full their indispensable services), a very large percentage of the so-called "business" of those exchanges is still gambling, pure and simple, merely the staking of one's opinion against another's as to the future price of grain or stocks. Gains and losses made in any such way are simply, in effect, the transfer of property from the possession of one to another with no added value given for any risk, and with no service rendered to society, unless it be (as in the case of the gambling that is directly known by that name), the fillip to enjoyment

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which comes from stimulating the fever of speculation. But there are grave though more subtle evils which arise from gambling under the name of business.

### *Unfair Speculation*

When fortunes are so readily made from fluctuations in the price of grain or of stocks, it naturally grows to be the custom that any individual trader will keep to himself any information which is likely to affect the prices of the commodities in which he deals, and his purchases or his sales will then be made with a certainty of profit which amounts to an unfair inflicting of a loss upon the person with whom he deals. No one questions the legality of many such actions, but ethically such a transaction is virtually gambling with loaded dice. A friend of mine as director of a large manufacturing corporation learned that his company was about to build a new plant in a rural suburb. The plan was still a secret. Across the road from the site determined upon were vacant lots which could be bought at the day for a song, but which would rise sharply in value

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as soon as the plans of the company became known. Should he buy those lots and take the profit? He had plenty of money available. He decided that he ought not to take advantage of his private information, and he left the profit for the original holders. Would you or I have decided as he did?

A step further is taken when the director of a corporation from his position as director gains information which is certain to affect the value of the stocks or bonds of the corporation itself, and acting on that information goes into the market and buys or sells the stocks of his own company, winning profits — in this case clearly “tainted” profits — for himself at the expense of the stock-holders for whom he is a trustee. And yet transactions such as these are by no means uncommon, and doubtless many of the large fortunes of London and New York have been made in good part in exactly this way. It cannot be said in any of these cases that the profit made comes in any sense as a payment for services rendered to an individual or to society. The property has been taken from one and transferred to another with



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no service rendered in return. It is always difficult, of course, to draw the line clearly between legitimate trading and gambling on the stock exchange, and one cannot be too cautious about making charges in specific cases. But the principle is clear. When the gain of one person is made at the expense of another without any service to society, and especially when that gain is brought about by special knowledge improperly withheld so that the chances in the gambling game are not even, the act is dishonorable, and unjust, and detrimental to the public.

Even worse perhaps is the case where a large holder of stock, merely by virtue of his large holdings, is able at will to sell blocks of stock so large as to depress the price, or again to buy it up so as to raise the price, adjusting the times of his actions to the settling days in such a way that his hapless victims, blundering in their ignorance of his plans, can have no knowledge of the ways in which they have lost, but can be conscious only of the fact that "luck" has gone against them. This is clearly plunder.

(c) MONOPOLY. Of like nature in part, and

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yet different in kind, and in many instances different in results, are the gains of monopoly. I do not mean to assert that monopoly in itself is always bad. It may well be that a monopoly may serve the public interest or be created for the public welfare, although usually such is not the case; but a monopoly gain, so far as the gain comes from the principle of monopoly itself beyond the reward for service rendered, is merely the transfer of property from one person to another without a corresponding service rendered in return.

### *The Patent Monopoly*

No one questions that the inventor of a valuable machine has rendered a distinct service to society for which he should be paid, and liberally paid. It has been thought the best policy by our Government to pay the inventor by granting him a monopoly for a term of years, and doubtless it is well to stimulate invention in this way, unless a better way can be found. In many cases, however, the fact of monopoly enables the owner of the patent to win his high monopoly profits by limited sales

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and high prices. A much greater service would be rendered to society by a price nearer the competitive range which would extend the sales much more widely and be of much greater benefit to society and which might return to the owner of the patent nearly as great rewards. It is a question whether it would not be wiser for the state to reward the inventor by a fixed and liberal royalty, and then, by throwing the patented article open to the freest competition among manufacturers, to render the greatest service to society by supplying the available product at the lowest practicable price.

### *Natural Monopolies*

The same principle holds with reference to the so-called natural monopolies, the street railways, the electric lighting plants, the telegraph, the railroads. Competition, as is well known, cannot control such corporations, and so far as the gains are technically the high gains of monopoly, in distinction from the fair returns on the investment, the great fortunes amassed from these sources are practically transfers from the pockets of the general public to the pockets of the stock-

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holders without an adequate service rendered in exchange. Some service is rendered to be sure, even a great service; but the gain is often excessive. The right to the streets is vested in the public. The control of transportation is a right of the public, and high monopoly gains from the use of the streets, so far as they are beyond a reasonable return for the capital and energy invested and the risk incurred, are made at the expense of the public. In such instances, the proper policy is doubtless for the state to protect both the investor and the public by whatever arrangement is best suited to the local conditions, so that the investment of capital and the expenditure of energy shall reap their due and fair reward for the service which is rendered to the public, while the state shall prevent the enormous gains of monopoly at the expense of the public which in many cases have heretofore been secured. In many small places the franchise is probably not worth more than a fair interest on the investment; but in many large cities it is worth millions. I am not overlooking the difficulties of fixing a reasonable gain (the practical problem is extremely complex);

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but there is no question as to the nature of the principle involved. Private capital and effort should reap a fair reward; the public should be protected against undue gains.

### *Undue Exercise of Power in Bargaining*

We perhaps too seldom think of the real nature of the gain which comes through undue exercise of power by one party to a bargain over the other. I have spoken of monopoly price, but the principle of monopoly is found no less in many transactions where it does not openly appear. It may well be that, owing to some local circumstance, a borrower of money is practically limited in his borrowing to one money-lender. If his need is great, the lender may exact, not the reasonable return for the use of capital that is just and in the interests of society, but an unreasonable, extortionate usury which does not benefit society, but which merely transfers unjustly ownership of property.

### *Special Advantages*

Different also in nature from monopoly gains but equally without the return of service for profits

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made, are the fortunes which are based upon special privileges or favoritism of some sort. In the earlier days these privileges usually took the form of legal monopoly and were granted by the state; now, in many cases, under different conditions and forms, we still get a virtual, though not a legal, monopoly.

If a city council grants to a corporation at too low a rate a franchise for electric lighting or a street railway system, this is of course practically a monopoly granted by the government; but an advantage scarcely less great, though different in kind, is sometimes given to shippers by railroads in the form of special rates or of rebates for freights paid. This form of privilege granted by railroads to certain shippers is so well known that it needs no extended comment. It is, of course, clear, however, that the profit made by a shipper through rebates is probably a profit made without any adequate return rendered to society, or, for that matter, in many cases, without any special service to the railroad more than is usually rendered by the shipper. It would, of course, be too much to assert that the favored shipper does not-

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in certain cases render a special service to the railroad. If the shipper can himself furnish freight by the train-load instead of by two or three cars at a time, the railroad is certainly benefited thereby. If, as was the case in the earlier days with the Standard Oil Company, a large shipper can become an "evener" of traffic as between different railroads that have entered into an agreement to divide the freight between certain competitive points, the shipper may doubtless render a special service to the railroad. It is the usual opinion, however, and an opinion upheld by the courts, that any such services which bring about discrimination between different shippers is contrary to public policy, and therefore ought not to be granted. So far, then, as freight rebates and special discriminations in railroad rates are concerned, we may say that in many cases fortunes made through these rebates are made without any adequate service rendered to the railroad in return; and in the other cases we may say that, inasmuch as such a service to the railroad has been held to be contrary to public policy, the shipper has received his favors and has become wealthy without the re-

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turn of any adequate service to the public. We need perhaps not dwell upon the fortunes that have been gained through these favors granted by the railroads. They go far beyond the fortune of the shipper and include in many cases fortunes of real estate speculators often connected with the railroads, through the building up of one locality at the expense of another. They include likewise the fortunes given to subsidiary companies by special contracts which often lessen the profits to the stock-holders of the railroad, and all of the so-called abuses which have arisen through secret discriminations of various kinds.

In this same category should be placed, of course, practically all unfair methods of competition, such as the purchase of secret information regarding a competitor's business from agents of that competitor and all other methods of competition which are contrary to public policy. In all such cases, whatever may be the service that is rendered to some individual, so long as the acts are those contrary to public policy, no service is rendered to society for the wealth thus gained.



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### *The Gain is to the Strong of Whatever Class*

There has been much discussion of late years regarding the principles involved in the great struggles between the employers of labor and their working-men. We must in no such case overlook the difficulties which arise from the complexity of the problem. It is not possible for any person in the case of a great labor contest so to know and so to weigh all of the multiplicity of factors which enter into the question of wage making, that he can be sure that he is rendering an absolutely just decision. But this much is clear: that in every great contest of the nature mentioned, there is a product to be divided among the employers, the laborers, and the public. And as matters go, there is little doubt that whichever one of these great contestants has the advantage through a monopoly more or less complete, or through other irresistible power, that one will secure the advantage. If the supply of labor is large and the employers are few and organized, so that they have a practical control, there can be little doubt that wages will be crowded unreasonably low and that the profits of the employers will in part be of that class mentioned:

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not just and reasonable payment for services actually rendered in the production of goods, but rather transfers from the pockets of the laborers to the pockets of the employers made by virtue of their controlling position.

If, on the other hand, the laborers by virtue of a thoroughly organized union are enabled so to control the labor supply, particularly in times of strong demand, that they have the advantage, there can be little doubt that they too will so misuse their power that their gains will not be all, although they may be in good part, those which come from an adequate compensation for the service rendered; but they also will be in part like monopoly gains. Instances are not wanting of trade unionists who have had so nearly a control of the labor supply in their line of work that their high wages have forced the profits of all but the most skillful of their employers so low that the industry has been injured on the one hand, and on the other the prices of the product have been kept so high by these high wages, that the benefit to the public has been greatly lessened through limited consumption.

And even at times the great blundering stupid

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giant, the public, usually without deliberate intention, but sometimes none the less successfully, so uses its power over industry, through legislation or the pressure of public sentiment, that both employers and laborers are made to suffer unjustly, while the public reaps a benefit through too low prices. An unregulated competition, brought about by stupid inaction on the part of the Government or at times even by an unwise stimulus to competitive bidders on government contracts, may lead to the oppressive employment of children's labor, and may force prices so low for the immediate benefit of the taxpayers that the profits of the employers will not reasonably compensate them for their services, while the laborers will be held down to unjustly low wages. I grant freely that in the case of government contracts for supplies, such instances are extremely rare. But on the other hand, the same principle applies, and the instances are by no means rare, when the Government demands the services of the ablest public men in important diplomatic or executive positions at so low a wage that only the rich can take the places. It is a well known

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fact that few, if any, of our ambassadors receive a salary large enough to pay the expenses which they must incur if they are to do their work satisfactorily. Instances of men being required to spend twice or three times the salaries which they receive are not confined to the diplomatic service, but are found in many other departments of Government. The result is that it is becoming a desirable qualification for many offices that a man should possess independent means, so that he may, without serious sacrifice or temptation to dishonesty, live beyond his salary. Doubtless some of the corruption in our consular service has been due to the unjust exploitation of government officers by the Government, which has forced them either to live beyond their means or to perform their public duties in ways much less expensive than those employed by men holding similar positions under foreign governments. This policy of saving money for the Government at the expense of its service is as unjust and unwise as similar actions on the part of employers in holding wages too low, or of labor unions in extorting unjust wages from their employers.

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It is worth while thus to attempt to see through some of the varying phases which this principle of monopoly or that of unjust discrimination or that of overweening power may assume, in order that we may be able to judge somewhat more accurately and justly the methods by which some great fortunes are built up. We must not misunderstand. Most monopolies render services to society. They are entitled to rewards, liberal rewards for their services; but the "monopoly principle" gives them at times much more; and, socially, they are not entitled to this surplus gain. While we do not in common conversation speak of the Government winning a great fortune by the brutal exercise of its monopoly power, it is still true that in a poor state the Government may and at times does extort by taxation or otherwise too much for the lavish living of its officials, who, by such methods, are reaping the benefits in the splendor of their public life which private fortune owners enjoy in their private capacity.

It will serve as an example if we recall the lavish luxury of the South Carolina legislature in reconstruction days, when former plantation hands

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lollled at their ease on \$200 sofas, used \$20 cuspidors and entertained themselves and their friends in restaurants and lodgings at the expense of the state. The case was exceptional and the experience a fleeting one, though all too long for the taxpayers; but those who are socialistically inclined may well note the private use that government officials may make of public funds.

While we may not say that by the exercise of their monopoly power, the trade unionists amass great fortunes, it is important for us to keep in mind, that at times the labor unionist, although he may not gain a large fortune, is acting from the same motives and quite as unjustly, as the great fortune-getter. He is thereby as worthy of condemnation in adding unfairly, or, in special cases, cruelly, thirty cents a day to his wages, as is his employer who may amass millions.

Let me emphasize again what I said before, that it is probably in and through the exercise of the principle of plunder or the undue exercise of advantage, of gambling or of its allied principle of monopoly, or of special privilege or favor of some kind that many, very many, if not most of

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the greatest fortunes have been won. And yet let me say, with no less emphasis, that it is still within the power of a great business personality, and it has been the experience of many a personality of that type to win a great fortune, no part of which was extorted by monopoly or unfair discrimination of any kind, but all of which, even though it amounted to many millions, was secured as a just and reasonable payment for services actually rendered to society.

### *Fortune Using is the Prime Consideration*

These considerations regarding fortune-winning should be carefully considered; we may then attack the further problem of fortune-using. For that is the prime consideration, and we must be just to all classes. We are in danger of recklessly ascribing evil purposes to the rich, virtue to the poor. While it is true beyond doubt that a man is no better because he is rich, we need often to keep also in mind the fact that a man is no better because he is poor. Manhood and womanhood are independent of wealth or of poverty. They are matters of character and purpose. We

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need particularly at this age and in this country, where we have made such enormous economic advance, to realize that it is not the wealth itself that counts for either ill or good, but the use that is made of it. While we must not underestimate the great uplift to civilization that comes from raising the common standard of living for the poorer classes, and this is probably the best possible use of wealth, we must also not overlook the fact that, as we look back through the ages, the peoples that have stood in the forefront of the world's historic advance, the peoples that have done the most to uplift the higher civilization throughout the world, are those in which the getting of wealth, although encouraged, was subordinated to the use that was made of it. Pericles said in his funeral oration in the Ceramicus over the dead who had fallen at Marathon, — "We, the Athenians, aim at a life beautiful without extravagance; contemplative without unmanliness. Wealth with us is a thing not for ostentation, but for reasonable use, and it is not the acknowledgment of poverty that we think disgraceful, but the lack of endeavor to avoid it." Wealth was to be employed large-



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ly for the public good, and the wealth which came to Athens in her most prosperous days was used in building her temples and embellishing them with works of art, in building her theaters and encouraging in them the production of dramas of the highest rank, and in seeing to it that every citizen had the leisure to get the benefit of such means of culture, so that Athens has stood from that day to this as a center toward which all lovers of art and literature and refinement have turned, and as a state whose influence in shaping the higher life seems not to lessen but to increase as the ages pass.

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### *Benefits of Single Management in Production*

**W**E shall do well in turning from the motives and the methods of the fortune-getters to consider the social results of great fortunes, first to make inquiry regarding the effects of the unification of a large property especially regarding its management by a single head. Are the results good or bad? In the first place, general prosperity, often shown by rapid increase in wealth, is beneficial, but there are also benefits to society from having a great fortune under a single management. No one now questions the advantages to production which flow from industry carried on on a large scale. Only great establishments can get the best equipment for cheap production; only such can secure the ablest men throughout the entire industry in the places for which they are best adapted; only such

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can make the enormous savings in the cost of selling goods which come from doing away with the competitive bidding of traveling men and with costly advertising. If an industry is practically consolidated, so that the only need for advertising is to let purchasers know where and how goods can be found and what the qualities of those goods are, the saving may be made of all the competitive advertising that simply turns the consumer from one establishment to another without giving him any added advantage. Think of the enormous expense of advertising such a product as Pears' soap, or the competing breakfast foods. Some of the great magazines charge from \$250 to \$400 a page for a single insertion. In many an instance, if this expense of competitive selling could be saved, the product might be sold for half the price.

### *Benefits May Become Injuries*

But all these benefits of single management and even of monopoly, if you please, are turned into injuries to society, if the motive of the fortune user is selfish and wrong, and if the methods which he employs are unscrupulous and oppressive.

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From selfish motives comes the temptation to dishonesty in the management of business, or to practices like adulteration, injurious to the public, which find their ready excuse in custom and in the evil methods of others. No thoughtful student of society questions that many of the chief managers of the great insurance companies, whose acts, when viewed under the lime-light of the awakened conscience of the public, now seem criminal, acted with a clear conscience and even possibly with a sense of duty performed in the interests of the policy-holders. For instance, take the case of Mr. McCall, the late President of the New York Life, in connection with the contributions to campaign funds or to legislative expenses. He had grown accustomed to the thought that legislatures must be controlled or bribed, and he justified his deeds by what he felt to be his motives. So, too, when some of the insurance managers acted directly for their own personal benefit, it is probable that many of them felt, surrounded as they were by other men whose profits were enormous, that their extravagant expenses were proper and that their services might well be con-

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sidered worth a hundred thousand dollars a year; but it has not taken the public long to find out that other men would be willing and glad to render equal or better services for a quarter that sum. Even when they used their official positions and official information to make private profits for themselves through their dealings with the company's money, they doubtless, in many cases, felt that they were simply conforming to ordinary usage, and hence excused themselves for acts which they evidently knew and felt to be of doubtful morality, since they were so careful, generally speaking, to conceal them. The social benefit or injury of these great fortunes in single hands depends then . . . , largely, upon the motive which impels those who are managing or using them, and the methods employed. Unless they are used with the most thoughtful care in the interest of the public, they arouse class hatred on the one hand and give rise to oppression on the other; but rightly used they may bring pleasure and culture and refinement to their owners, and education and training to the public.

*Monopoly is Sometimes, Though Rarely, Generous*

Even monopoly gains in the hands of employers have been used at times in part to increase the wages of laborers, the employer feeling that, as his gains from monopoly were large, it was his duty to share those gains in some degree with his workingmen. Such instances are perhaps rare, but the evidence is clear that even the whisky trust took this view when its organization was first completed, although there is no reason to believe that this view has been retained throughout its most interesting and tortuous career. Much more often has it happened that the power of a great fortune, in a single hand, has been used to hold the working-man down to lower wages rather than to lift him up by sharing with him the gains, even though such gains were made at the expense of the public.

*Rich Men Serve the State Well at Times*

In the political field, likewise, the great fortunes have, under our present circumstances, often served a useful purpose. The fact has already been noted that our ambassadors to foreign courts cannot fitly fill their honorable and important

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positions unless they possess large private means, from the income of which they can supplement their meager salaries. And yet some of our rich ambassadors have, by virtue of this wealth, been enabled to render to our country most distinguished service to which we should accord full recognition.

I fear that it is getting to be more and more the case not merely in our foreign service, but also in our administrative work at home, that it is a decided advantage for a person in the public service to possess a large private fortune. The expenses of living in Washington or in many of our state capitals are such that if a person wishes to play well his part in the social world into which his public position has pushed him, he would naturally wish to expend much more than his salary. Even if we put the case not quite so strongly, the advantage to the state, to the public, of some private fortunes is no less clear. There may be other advantages to the public of having men in politics who are independent of salary. They cannot so readily be coerced by a party boss. Our party organizations are so powerful that no one can expect to secure an elective position, such as

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that of Congressman or even of state Assemblyman. unless he has either the support of the dominating party in his district or is able himself to take the time and to expend the energy and money necessary for a thorough canvass of his district. If a man ambitious to render public service in an official position must have the income from his office in order to live, he is practically at the mercy of the party leader; whereas if he is a man of independent means, he can much more easily name conditions to the party manager, or himself dictate a policy. Under our present conditions, therefore, it is looked upon by many — and I think none of us will deny that their view is sometimes just — as a good fortune to the state that many of our younger cultured men of wealth, heirs of great fortunes, are showing themselves ready to devote their time and their money to the public service. Some of our ablest diplomats and administrators are of this class, and we should recognize their worth. It is a misfortune, we may say, that any man whose mental equipment and training fits him best for a certain public position, should not be able financially to take it. But it



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would be most unjust to assume that merely because a man has wealth, he has not public spirit and patriotism and ability. When we find men with these qualifications, we may well rejoice that by virtue of their wealth they are able to act more independently and more in the public interest than would one who must depend upon the favor of the party politician.

### *Advantages of Wealth Properly Used*

Again we may well glance back to the wise thinkers of ancient Greece, who seemed to feel that the highest good of the state could not be secured unless there were a leisure class of philosophers who, without the care and time-consuming toil of winning a livelihood, could devote their lives to study and thought and public service. The only fault that we can find with such a principle is that those whose fortunes come to them without effort, and not as a reward, are too likely not to possess the spirit of self-sacrifice which is needed to make the best use of their gifts. They are likely to waste their time and to squander wealth foolishly and to debauch others.

Such evils are doubtless, relatively speaking, seldom to be found in the generation of the self-made men. Most of them have known what struggle is. They have been trained in the hard school of business and know the absolute need of business integrity and personal character; but their sons and grandsons, if their wealth remains, may well bring about the evil effects of the exercise of power without the beneficent effects that come from the struggle to gain that power. The present generation of the wealthy are, frequently, men of moral, often of old-fashioned, religious lives, careful in personal habits, though perhaps often indisposed to question the moral character of business practices in which they have been trained. Some of them, — and it is probably true that their number is increasing — are inclined to take their mere possession of wealth seriously. Just as they have, for many years, been asking what were their responsibilities, as gainers of wealth, to their stock-holders and their employees, so now they ask what responsibilities rest upon them as the possessors of wealth.

But they nevertheless have natural affections.

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While they may give freely of their income for charity and for public purposes, they are not likely to forget their sons and their daughters; nor, again, are they likely to be ready to lay down their power. They will rather wish to transmit this power to those who follow them, and who not having been trained in the same severe and rigid school of experience are likely to hold more lightly their responsibilities.

### *Advantages and Dangers of Endowments by the Rich*

It is impossible to avoid this difficulty, but something more might perhaps be done to secure for the public good the services of men of little wealth. Some provision might be made by the state through adequate salaries and relative permanency of tenure, as is indeed now sometimes done indirectly. Provision might also be made by private endowment, as in the case of university chairs, or, as was done in the days of Cicero, by wealthy patrons. But we need to be careful to avoid the dangers of patronage. We surely do not want in our day to see a rich man surrounded by such a

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throng of sycophants and parasites waiting to secure something of their master's bounty as was to be seen in ancient Rome. We do not want our literary men or our political thinkers to be patronized by wealthy men of culture who would keep them practically as retainers and dependents, as was customary in the days of Lorenzo di Medici or Queen Elizabeth. Fortunately at times now there are wealthy men who are willing to endow professors' chairs or universities or institutes for scientific research, with no conditions excepting that the trustees of the gift shall try to find the best men to carry on the work. Generally such endowments are for institutions only; but sometimes in the days of the Roman Republic they were personal. A man who devoted his life to the public service in a political way might be endowed, so that he could give himself freely to his life work without care for personal needs. It is said that in recognition of his great public services and his self-sacrificing boldness in defending unpopular causes, Cicero received at one time and another by will and personal gift, not less than a million dollars. Possibly the time may yet come here when a

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wealthy public-spirited citizen, instead of endowing an institution or founding a professor's chair, may find some man of promise and devotion to the public service whose character and aims are such that he would not abuse his trust, and will endow him with a life income sufficient to enable him to do his best public service without wasting his energies on bread-winning. A life annuity might thus be well suited to the public interest. The only instance of the kind that I have known in modern times is the provision made recently by such an endowment to put Booker T. Washington during his lifetime beyond care for the future so far as the personal wants of himself and his family were concerned. The purpose and the plan are right. And in the case of men like Booker Washington, whose characters have been tested, there could be no better endowment. But the men should be selected with very great care.

Politically, also, we must recognize the great services of wealth in establishing and maintaining the power of a great country abroad. The influence of the United States in the world's councils at the present day depends to no small extent upon the

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wealth of the country and upon evidences of that wealth as seen in rich Americans who are making worthy use of their possessions.

While we may thus indicate useful ways in which our great fortunes are used politically, we must not fail to mention (our magazines will not let us forget) the baleful uses of these great fortunes in bribery and corruption which has made many of our state and city governments a hissing and a byword.

### *The Aristocracy of Wealth*

What is the more general social effect of these great fortunes? We hear in a great many cases of our aristocracy of wealth. And there can be no doubt that in one sense, though not the highest, our very wealthy people do form an aristocracy whose doings are chronicled in the daily press as if the doings were of public importance. They are of interest to many readers or they would not be so chronicled. I fear that the chief result from the creation of such an aristocracy is found in class jealousies and in the misjudgment on the part of the very rich themselves of the real nature

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and the real excellencies of those who belong to other classes. But we should recognize also that a proper use of wealth may easily secure an aristocracy of culture and refinement which can be found only among people who possess at least a modest competence and who do not have to spend their time in earning their bread.

### *The Idle Rich*

The idle rich, fortunately in America only a small class, mostly those who have inherited their wealth (not the wealth-getters, but those who, from the chronicles of their doings, are largely wasting their time in a frantic desire to be amused), are mere parasites on the body politic. Their existence is useless rather than seriously harmful to society and their chief social and political function seems to be to set envy and anti-social extremists at work. It is unfortunate that all cannot recognize the really slight consequence of such idle rich persons in the great mass of society, but it is doubtless a fact that, where great fortunes are used chiefly for the gratification of vanity and the desire for pleasure, the rich become a dan-

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gerous element in the community. They are one of the chief causes, if not the chief cause, why the less thoughtful and more passionate classes at the other extreme, with a feeling that matters could be no worse, and with the hope that in any new form of organization, wealth would be more evenly and justly distributed, are ready to take rash steps toward the violent overthrow of present society.

There must always be in society classes; the variety in human nature is too great for all to belong to one class. There will be many classes and the distinctions between them will be great; but great fortunes draw the distinctions between the classes on a false and unsocial basis. The fact that the rich are very rich tends to make many people believe that the poor are continually growing poorer, even though the standard of life is steadily rising. This class distinction, based on wealth, and dangerous on account of the actions of the idle rich, is one great evil to be found from the accumulation, and particularly from the inheritance, of great fortunes.



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### *The Social Classes*

But is it true, as has been so often asserted, that, under modern economic conditions, the rich are continually growing richer, while the poor are growing poorer? Is it true that society is being separated into these two great economic classes one of which dominates the other and between which there is a continually widening cleft? In one sense the statement is probably true; in the other and much more significant sense the statement is undoubtedly false. If a hundred years ago, in the United States, the wealthiest man was worth, perchance, a million, while the poor man had but enough to keep him from starvation, the difference in their wealth, as measured by cash, was substantially a million dollars. If at the present time our wealthiest man is worth, let us say, five hundred millions of dollars, while the poor man still has his living in accordance with our present standards of comfort, the difference measured by dollars, instead of one million is substantially five hundred millions and the cleft seems wider. But if, on the other hand, we measure the distance between the two by standards of comfort, opportunities for culture,

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chances for living the higher life, the cleft instead of widening has been rapidly narrowing during the last hundred years. The fairly diligent, thrifty laborer of good habits to-day has a home better warmed, better lighted, more comfortably furnished than were the palaces of Queen Elizabeth or of Louis XIV, although, of course, there is less display of gold embroidery and of silverware and jewels. At the present time, a skilled mechanic, if thrifty and diligent, may live in comfort at home, surrounded by all that is necessary for health, with enough of the best literature, if he has taste to care for that, to make him learned in the thoughts of the great philosophers, poets, and historians, and with enough left to put into insurance so that he need not fear the pinch of absolute poverty when his working days are over. Of course I am speaking of the better class of diligent, skilled workmen, and I compare them with the wealthiest men of to-day as compared with the wealthiest men of a hundred years ago. The wealthy man of to-day may have his steam ocean-going yacht and his private car, may spend his many thousands upon a single banquet, may

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take up forestry as a pastime on his own private estate, — and in these ways the differences between his expenditures and those of the poor man are greater than were those a hundred years ago. But the differences in the essentials for living a life of health, strength and genuine culture are far less now than they were then. This fact, too, of the steady raising of the standards of living of the poorer people is due in no small degree to the great inventions of modern days which have led to the consolidation of wealth, and to the added power of production which has come to a considerable extent through this consolidation and the consequent concentration of industrial energy.

### *Do Monopolies Destroy Opportunities for Able Men?*

And is it true that the great combinations of capital, from which often spring the great fortunes, have shut out from the man of executive ability but of small capital the power to start an independent business and to live out his industrial life free from the dictum of a master? Doubtless in certain great lines of industry, such as sugar refining or steel manufacture, the small man with a

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few hundred or a few thousands of dollars cannot start in competition with his great rivals; but probably in the great majority of industries, if we go by number, not by prominence, and especially in those which require individual taste in the manufacturer, or the satisfaction of individual taste in the consumer, the opportunities are still open. An individual with no capital, if he has the requisite taste and skill, may still become famous as an architect, a house decorator, a milliner, a dressmaker, a builder of artistic furniture, a caterer, as well as a practitioner of law or medicine. An acquaintance with a clientage of wealthy men may give one a start, but after all it is the ability and the recognition of the public needs that makes the ultimate success. Consolidation of capital, then, may in certain narrow lines restrict the opportunities for independent work, but the wider reaches of the field of opportunity are still open.

Probably never before to-day has the opportunity been so good for young men of really great capacity to attain high position in industrial life as directors of great enterprises. In earlier times, a man could

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found a business and hand it down from generation to generation. fairly confident that his sons and grandsons even though possessed of but moderate talents, could make their living respectably. And, he might also feel confident that even though their talents were great, the business was still likely to be moderate. At the present time, the man of really great ability may start at the bottom, but so keen is the competition and so boundless are the opportunities, so eager are possessors of great capital to find the men who can wield its power most successfully, that the boy who fulfills his task better than the others of his class is sure to be promoted. So certain is this promotion from grade to grade, from position to position, on account of the stress of competition, that, provided one shows himself worthy, the man of greatest ability is not likely long to lack opportunity for making the best use of all his power. Even at the present time, name, influence, family connections will give a young man a start. That is human nature. But, if he has not in him the capacity or the willingness for greater work, his position in the industrial world will always remain sub-

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ordinate whatever it may be in circles devoted to amusement. On the other hand, although the man of really first grade qualities may need to start lower and wait somewhat longer for his first recognition, he is bound to be pushed forward under the pressure of business necessity into any place for which he is fitted. Probably never before in any country or at any time in the world's history have the opportunities been so many or the success so assured or the prizes so great for the man of really commanding capacity as in the United States at the present day.

### *The Effects of Working Under Orders*

Much is said of the necessity at the present time of a man's working under orders, whereas formerly he could manage a business independently; and much is said of the dwarfing effects of thus working under control; but this pessimistic view of the circumstances is a short-sighted one, and does not recognize all the conditions in an impartial way.

We ought not to overlook the undoubted fact that at all periods of the world's history, in early

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days and in other countries, even more than at present in our own country, the great mass of the workers have served under the direction of others. Probably at the present time nine out of ten of those who start into an independent business find that they are incapable of making headway against their competitors. They either fail or gradually withdraw from their business with loss, or they toil along through years with no reward beyond that of the barest living. This has always been true. The men most difficult to find are those of real executive ability, men who are capable of directing their own work and that of others. For such men the consolidations, the great fortunes, offer opportunities, different to be sure from those of earlier days, but no less important, and those which do not prevent the full development of the powers of initiative. A superintendent of a department in Wanamaker's store, the superintendent of one of the plants of the United States Steel Corporation, the general traffic manager of a great railroad, the head of a great bank, the president of a great university, are all working under the direction of others, are all in subordinate

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positions; and yet all of them are given full power of initiative. They have every opportunity of showing their originality; they have every opportunity of directing their own work so long as their direction is intelligent and their work successful. Even men in much more subordinate positions, while they must work in harmony with others, while they cannot undertake new plans without consultation or permission, are nevertheless so situated that every valuable idea will be eagerly taken and responsibility given in proportion to the capability of bearing it. Is there humiliation for the president of a railroad or of a bank in being under a board of directors? He is expected to lead rather than to follow them, and while he is held responsible, while he must show results, no hampering restrictions are placed upon him. It is an art, — one well worthy of being developed, — to learn how to guide one's course so wisely as to meet the approval of one's superiors. The man who stands entirely independent must watch as carefully the acts of his competitors, and if he fails, instead of receiving suggestions and warnings from a board of directors, he receives rather a



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summons to the bankrupt court at the suggestion of his creditors. There is a mistaken idea with reference to the opportunities for initiative and for self-direction given to people who are working in the service of others. Responsibility to others by no means implies subservience or weakness of character.

### *The Independence of Character of the Worker*

The situation in the United States at the present time seems to prove well enough this contention. In no other country is there such consolidation of wealth; in no other country are corporations so powerful; and yet probably in no other country is there so much independence of character as in the United States at the present day. In no other country and at no other time in our own country have the protests against what might be considered restriction of speech or restriction of action been so vigorous as at the present time. We hear charges of attempts at the restriction of freedom of speech in our great universities. In my own judgment, the charges are almost absolutely without foundation, but the fact that the protests are made and that the

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feeling of the danger of such restriction is so widespread is a most encouraging sign, and is in itself a proof of the independence of our spirit. Where else and at what other time in our own history have working-men been on the whole so free to combine, so ready to protest against needless restrictions on the part of their employers, so able to fight their own battles? Our trade unions, organized with their hundreds of thousands, even millions of members, are well capable of holding their own against our capitalists organized with their billions of money. The consolidation of capital has so far, at any rate, not weakened the spirit of freedom on the part of our wage-earners. Moreover, there is every reason to believe that the consolidations of capital, dealing with the consolidations of the laborers through systems of conciliation and trade agreements, will very soon lessen more and more the spirit of warfare which has heretofore been so rife between these classes. This system will tend more than has ever before been the case to give freedom to the individual so far as he himself, bound by his sense of duty and responsibility, places a rein upon

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himself and a check upon his own lawlessness. Self-restraint, after all, if evil methods are checked, gives the only freedom industrially, politically or spiritually. The consolidation of wealth, bringing about, as it certainly has done, vastly increased opportunities for self-development, may, perhaps, work rather toward this self-restraint of the individual than toward the mastery, in any evil sense, of the individual by others.

### *The Responsibility of the Rich*

Again, we must not overlook the fact that with great fortunes comes often a feeling of responsibility for the wise use of those fortunes, and this responsibility is made evident in their use for the public good. The endowment of colleges, of art museums, of public libraries, is not to be commended if in any sense such endowments are made with the idea of hoodwinking the public regarding evil purposes, nor if the gift is in any sense to excuse the methods employed in obtaining ill-gotten gains; but there is no reason why such endowments should not be absolutely free, as most of them, so far as I know, all of them,

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are. With such use of the great fortunes, there may be given to the public benefits such as could not come from smaller gifts and could otherwise be secured, if secured at all, only through the action of the state. If we may judge by the history of the past, as well as from the experience of the present in our own country, many of the means of culture now freely open to all classes in the community would be wanting, if we were to trust solely to the intelligence and the foresight of the public as manifested by the actions of legislators. Often the wisest use to make of wealth is to put it into productive business where it renders service to society by added wages, added comforts for all classes, especially the poor, through increase of production for consumption and wider distribution of these products among all classes. But more direct gifts to the public are not to be overlooked nor condemned.

### *The Great Fortune a Public Trust or a Menace*

There can be no doubt that a great fortune, however accumulated, should be considered chiefly as a trust for the public. Each of us really owes his

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all to the state that has made civilization possible. Without it there would be no great fortunes, no safe living. There is no reason why the public should not accept the gift of a great fortune given from good motives. On the other hand, the question naturally crowds forward as to whether the public can properly seize the great fortune if it is not freely offered. There can be no doubt that a great fortune used selfishly tends to make a greater fortune, and that tends to make a monopoly. It is becoming essential, it even has become essential, that in some way the public should control or put limits to the methods of getting and to the use made of the great fortunes.

### *The Public Control of Fortunes*

SHALL WE LIMIT THEIR AMOUNT BY TAX OR OTHERWISE?

The question is often asked whether, since great fortunes may be used to the public detriment, the state should prevent their growth or whether it should attempt to control them. It is feared that, unless the state takes some active measures, the holders of the great fortunes will

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control the state and the public. If what has been said heretofore is true, determined efforts should be made to prevent the accumulation of great fortunes by means detrimental to the public interest,—not because they are great, but because injurious methods are employed. On the other hand, they may be tolerated, they even may be encouraged, when they are made by legitimate and proper means, so that they are in the nature of reasonable payments for services actually rendered to the public. There is no harm in great fortunes themselves either in the process of accumulation or in the unified management, so long as methods employed are proper and wise use is made of them. Rather, as we have seen, they may be of great benefit to the public. There seems to be no reason then, in the nature of the case, for any action which shall amount to the confiscation of all profits when the fortune has reached a certain limit; the restriction should rather be on the method of accumulation. I do not mean to say that such a measure as, for example, a progressive tax, even, under some circumstances, a progressive income tax, may not in itself be wise. I think that in many cases it is;

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but the principle of increasing the tax in that case depends upon the increased ability to pay, and that principle, not the desire to check the growth of the fortune, would fix the limit of the tax.

### *Great Fortunes Should Be Secured to Public Uses*

#### TAXING FOR THE PUBLIC TREASURY.

It is also desirable, of course, that in the long run the great fortunes be by conservative normal ways secured to public uses. Various suggestions in this direction have been made. We have already in this country attempted to prevent the holding of great estates by the abolition of mortmain and prohibition of the right of entail, so that while a wealthy man may give practically all of his estate to his heir, he cannot determine that for generations this estate must remain in the family. There seems to be of late years, to be sure, a tendency in this country for large fortunes to remain in the family for several generations; but that tendency is not pronounced, and the distribution of a fortune among several people very generally occurs on

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the death of the fortune builder. Would it be wise, as has been proposed, to limit the amount devised to a single person or a single family? Possibly at some time, but I think not. The remedy would probably be worse than the evil. The abuses of inheritance are not great now; the chief dangers to society of great fortunes so far seem to be from corporations not from individual fortunes after they are beyond the control of the one man who is dominating a corporation. The holding of great fortunes in the form of stocks and bonds makes their distribution easy. We wish to hamper individual initiative and action as little as possible and still protect the public. Something may be done to bring about the needed protection without a rigid limitation of the amount devised.

Our inheritance laws have, on the whole, now, a powerful tendency toward a wider distribution of fortunes, and this may be encouraged. Again, a progressive inheritance tax which tends to put into the public treasury a small percentage of every large fortune on the death of its owner looks in the same direction. I cannot take the space to discuss here in detail the principle of the in-



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heritance tax, but it is the general opinion of the best thinkers that such a tax at reasonably high rates, and at rates that shall increase with the size of the fortune, is one of the best taxes in the public interest that has yet been devised. Even though the rate is high, there is no noticeably injurious tendency to prevent thrift and activity in business enterprise. This tax might, perhaps, be increased on the largest fortunes. The heirs would not suffer appreciably.

### *We Can Check Wrong Methods of Accumulation*

Of course the crude suggestion sometimes made that all great fortunes should be distributed among the public may be passed over with practically no comment. If other conditions remain as at present, such a distribution would be of no service in the long run. The fortunes, especially those that are accumulated by means detrimental to the public interest, would soon drift back largely into the hands of the original owners. On the other hand, if means could be found by which the process of accumulation by illegitimate or harmful methods could be prevented, there would, beyond

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question, result a much more even distribution of wealth among the members of the community. Such distribution would probably bring with it a better standard of life among the poorer classes, and this would be extremely beneficial to the country as a whole. And such measures will gradually be worked out. So far as we can see at the present time, such measures are mainly those which encourage honorable thrift in the community, and which tend to prevent dishonest and dishonorable practices of all kinds, whether in the nature of special favors as railroad rebates or avoidance of heavy tax burdens or stock gambling, improper buying and selling of stocks, or using unfairly against a competitor information of a confidential nature by whatever means secured, *i. e.*, laws securing a fair deal.

### *Socialism Could Not Make the Able Men Unselfish*

Of course the solution of the difficulty proposed by some of the radicals is socialism which will take all the important tools and means of production from the hands of individuals and place them in the control of the Government to be used

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for the benefit of the people at large. Here, again, it is not the time to argue the question. But most of our socialists seem to ignore the fact that our governments are made up of individual men who have the same passions, the same desires, noble and base, as other men; and that in every society the great mass of the people are to a considerable extent controlled by the few dominating personalities. Under our present organization of society in a democratic country like the United States, where the chief prizes seem to be in private industry, these dominating personalities are, with many individual exceptions, in business, and are accumulating great fortunes for their own special use. When we consider human nature, we can see that in the socialistic state where the means of production were in the hands of the Government, these same personalities would probably control as well as in the individualistic state of the present day. If these men are working to-day from selfish motives, there seems little reason to believe that in a socialistic state they would work from higher motives; and it would probably be as easy for them to secure positions

as state officials in the socialistic state as now to control industrial society. As state officials they could as easily (or more easily) manipulate the Government so as to give to themselves, in the guise of office-holders, the use of the great fortunes, as to secure them now as private individuals. Note the acts of the South Carolina legislature in reconstruction days; note the luxury of rulers in many states. I welcome the present tendency toward government ownership and management of certain public utilities, particularly in the great cities, because I think this will afford us an excellent opportunity of gaining practical experience in public management of capitalistic enterprises. We can from such experience better judge what the effect of such management is likely to be upon both the accumulation of capital and the welfare of the public, without taking the risk — a grave risk — of the adoption of a general policy of public ownership. We can then see how far it is likely to prove wise to extend this system of public ownership. If the experiments prove successful in many cases, we may carry the provisions much farther than we at present contemplate;

but until we can gradually bring about in some way a modification of the form of ambition which leads on our strongest men, I see no great promise of good in any such solution of this social problem, and I see many dangers.

*How Can the Able Men Be Kept in the Service  
of the State?*

President Eliot and Professor Taussig of Harvard in late addresses have made important suggestions in this connection. President Eliot is of the opinion that, granted a liberal livelihood, the best men will do their work best, chiefly from love of the work and of the power that comes with an important position; while Professor Taussig hopes that in time we may get many of our ablest and most conscientious business men to go into political life by making official salaries somewhat larger so as to guarantee a suitable living; by making the tenure of office more secure, so that a good man could afford to give up private business without too great risk; and by giving greater social distinction to holders of public office, a distinction which would naturally come from higher salaries

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and longer tenure and the drafting into that service of a higher type of men than now come — excepting the wealth

### *Public Opinion the Controlling Force*

Finally, it seems that after all, whatever may be the form of solution of our social difficulties in connection with great fortunes, everything ultimately rests upon the cultivation of a public sentiment which shall unsparingly condemn dishonest and dishonorable and selfish motives and methods in the accumulation of wealth, and which shall encourage public spirit. Under the pressure of such a public opinion those who have accumulated great fortunes will keep the public interest in mind, and if their wealth be used wisely and unselfishly, there will be from them no danger to the public, but only benefit.

In the ultimate analysis every great social reform comes, not by legislative decree, but by converting the minds and hearts of the citizens. When this is done, right laws will be passed and enforced; otherwise not. The growth of the democratic idea has been a matter of

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centuries; the abolition of slavery had first to be determined by public sentiment, then the rulers acted. By the time the public is ready for intelligent and positive measures, severe compulsory acts will be little needed and the necessary ones will be readily enforced.

### *Public Spirit Will Dominate the Rich*

We sometimes hear it humorously remarked that no person in New England can die respectable unless he has left in his will some gift to Harvard University. Whenever there shall be a real loyalty to the public interest throughout the country, such as this imputed loyalty to Harvard University, we shall find that the use of great fortunes will turn more and more toward the promotion of public enterprises, even though now in the United States the distribution of large sums for the endowment of public institutions is most noteworthy. What is of far greater importance, the methods of accumulation of the great fortunes will be so limited to those which are not detrimental, but only beneficial, that jealousy of the rich will be allayed, since we shall

feel that they are receiving only their just dues. I do not look ahead to the attainment of this happy result within any short period of time, but I think that we may see clearly that a tendency in this direction is already noticeable. The exposures of corrupt methods of business management in the great manufacturing corporations, in the railroads, in the insurance companies, have all tended to awaken the public conscience and to arouse a determination to prevent such practices in the future. These revelations have not merely proved a surprise to many, but they have been a quickener of the public conscience. Business men who had been carrying on similar practices without any thought of wrong-doing or of any injury to the public until the startling disclosures had set them to thinking, are now themselves revising their own methods of doing business. We can easily see that such a change in public sentiment is certain to result in a change in laws which will tend on the one hand to prevent by fear of punishment many evil practices, and on the other, to stimulate anew the moral sentiment which will lead to the voluntary adoption of better practices. And although



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we must expect that the process of regeneration will be discouragingly slow, we have still every reason to hope and to believe that this tendency will continue until great fortunes, perhaps fewer in number than now and generally less in amount, will no longer be a public menace, but a public benefit.

I referred earlier to the uplifting influence of great wealth used for public ends in ancient Athens, as it gave to the world an example of culture and refinement; but a still more potent influence than that of Athens came from Jerusalem. More important than the spread of refinement and art and literature is the culture of purity, unselfishness, righteousness. While under just conditions we need not envy the concentration of wealth so far as every-day comfort, refinement, justice for the masses are concerned, we must use every effort to see that connected therewith shall go the right ideals regarding the methods that may be used in the accumulation of wealth and the unselfishness of the use to be made of it. We must encourage still more the development in the community of the

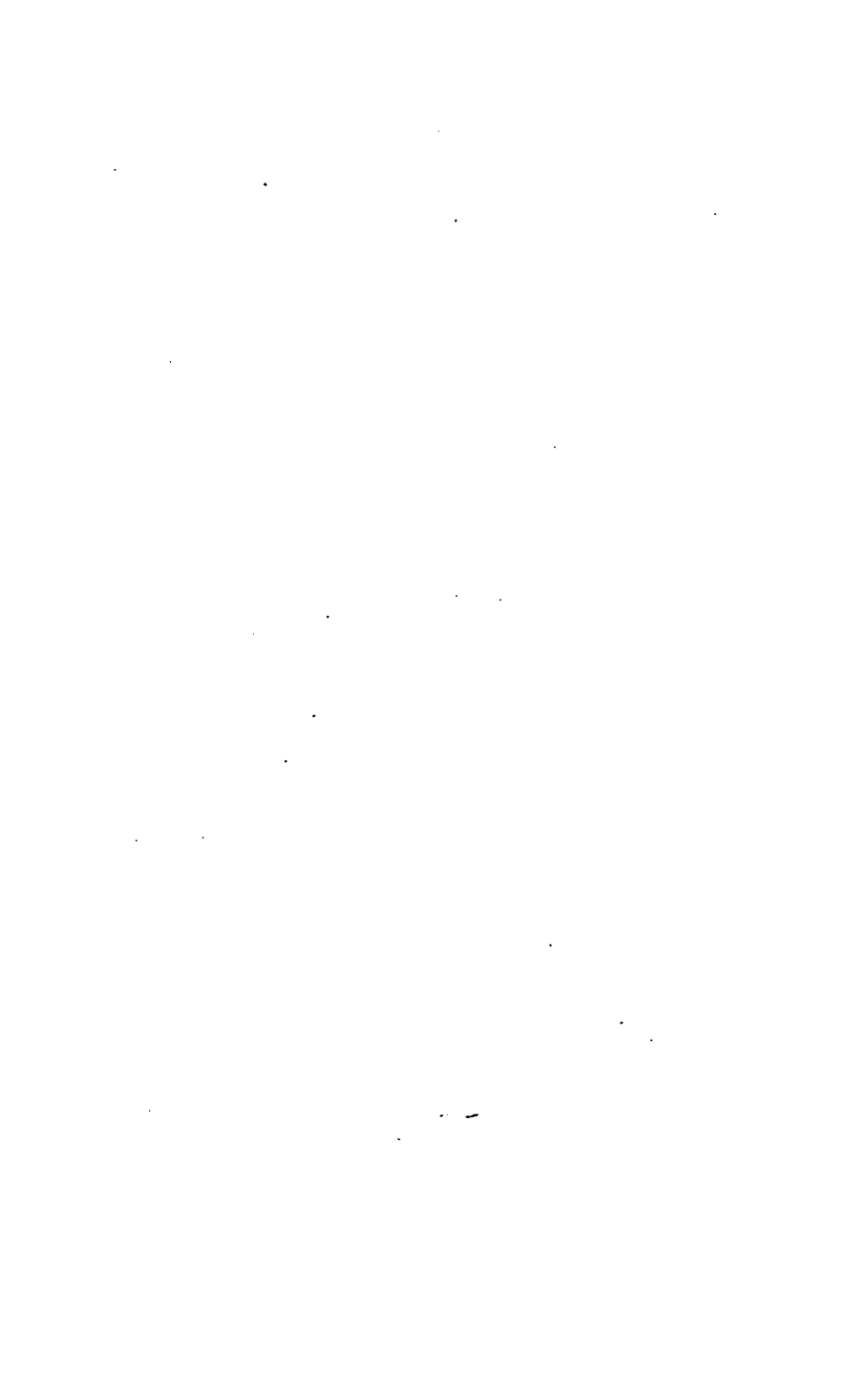
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ideals of justness and righteousness which will make our added comforts and refining luxuries tend steadily and strongly toward the moral and spiritual uplifting of mankind.

THE END

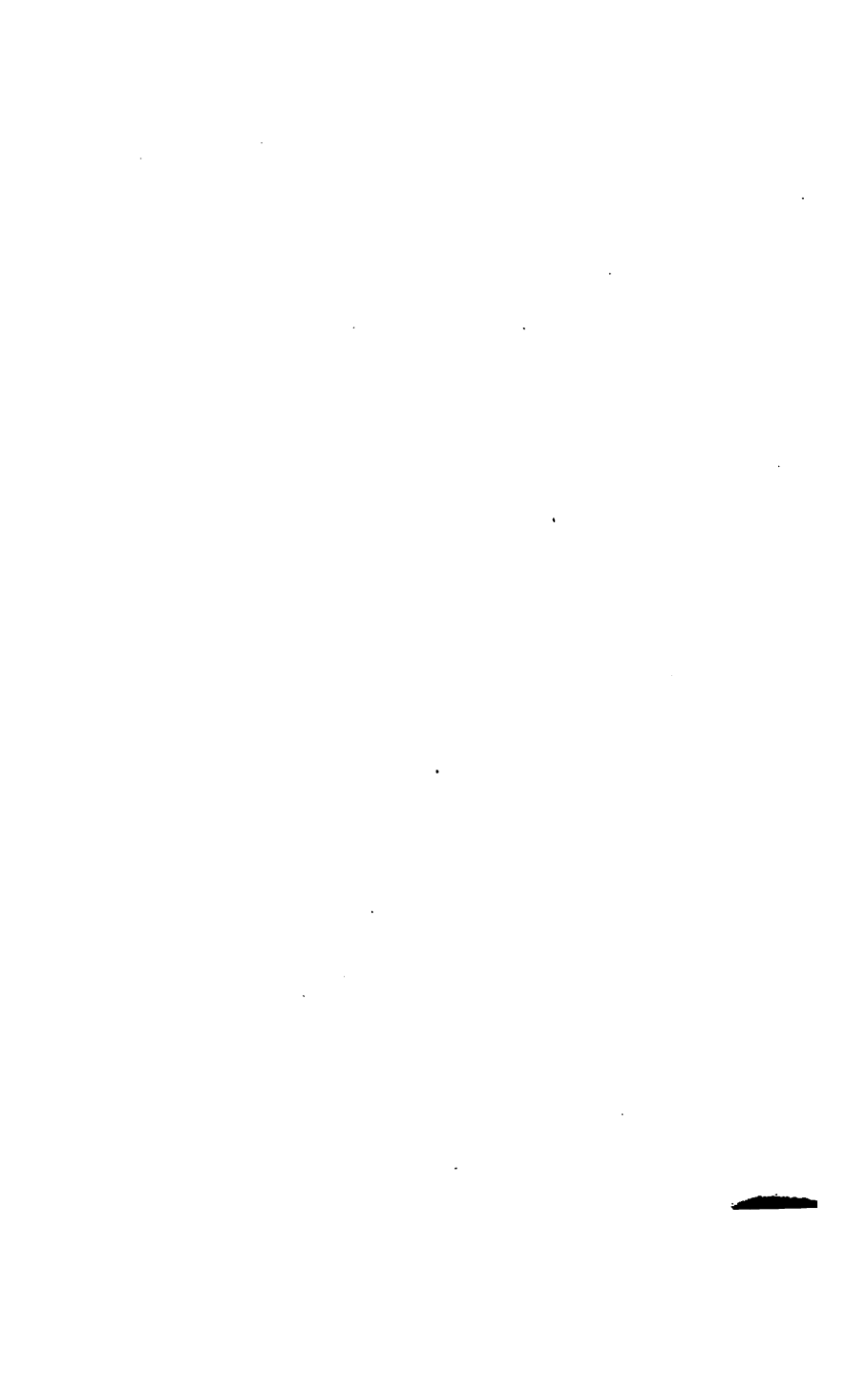
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